

SECRET

Chief, Procurement Division, OL
ATTN : Chief, PSCB/PD/OL
Chief, Security Staff, OL

10 October 1961

Declass Review by NIMA/DOD



REFERENCES: (a) Summary Inspection Report by C/SS/OL, covering inspection made on 27 June 1961.
(b) Memorandum for the Record, Subject as above, dated 31 July 1961, [redacted] SS/OL.

1. In June 1958, the Office of Logistics negotiated base contract [redacted] with the [redacted] at the request of TSD/DD/P. Task Order No. 1 which was initiated at about the same time concerned a small task for TSD in which association was SECRET and the work Unclassified. Task Order No. 1 has long since been completed and has been destroyed by the Contractor. In January 1960, Task Order No. 2, under base contract [redacted] was negotiated at the request of PIC, with association SECRET and the work Unclassified, except that the sponsor's aims and objectives are SECRET. No intrinsically classified reports were generated and no classified documentary material was supposed to be furnished this Contractor, however, it was necessary for the company to be given certain SECRET information on an oral basis in order to guide their lines of research. Task Order No. 2 has been amended and extended several times and is now due for completion on 20 January 1962, with total funds of [redacted]. We are advised that the firm is going to request a further extension of time up until about 31 March 1962, on this Task Order No. 2, but it is not known whether or not more funds will be involved. The Procurement Division, OL, now has a requisition from NPIC, requesting that a new task order be written covering rental and use of an ALWAC computer at a cost of about [redacted]. For a considerable period of time all of the actual work under Task Order No. 2 has been done in the Washington office of the [redacted]. As stated in Reference (a), this firm has now become a wholly-owned subsidiary of the [redacted].

[redacted] We have continued to store the contract at the [redacted] and all contract administration has been handled there through [redacted] inasmuch, as the Washington office was not set up to store classified documents and had no administrative personnel that could service the contract. [redacted] who is a Vice President of [redacted] who is in charge of their Washington, D. C. office, has recently been in [redacted] who is President of the [redacted] and also a Vice President of the [redacted] recently advised that after consulting with [redacted] President [redacted] Chairman of the Board of [redacted] and all task orders moved to their [redacted] office from the [redacted] and they wish to administer this contract from [redacted] rather than in Washington, D. C.

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where the actual work will be performed. It should be noted that the Washington, D. C. office is not physically approved to store any classified material, however, their main reason for wishing to administer the contract in [REDACTED] is due to the fact that they do not have suitable administrative personnel in Washington, D. C. to properly service the contract.

On 2 October 1961, the undersigned contacted [REDACTED] Security Officer, [REDACTED] Washington, D. C. in an effort to make arrangements to have a security inspection made of their [REDACTED] office. Mr. [REDACTED] telephoned back the same day and advised that their Security Officer at [REDACTED] was home sick and would not be available for interview for at least several days. He advised however, that [REDACTED] President of the firm, would be at the Washington office most of the week of 2 October 1961, and he would appreciate it if he could be briefed along with more of the cleared officials of the Washington, D. C. office. In accordance with this arrangement, the undersigned gave a detail security briefing on 4 October 1961 to [REDACTED] President of the [REDACTED] firm and also, to [REDACTED] Division Director of the Washington office and [REDACTED], who is a Section leader performing the work at the Washington office. [REDACTED] confirmed the fact that he wishes to have the contracts transferred to [REDACTED] at the earliest opportunity and that there should be a novation agreement entered into changing the contracts to be between the government and the [REDACTED]. It was agreed that [REDACTED] would keep in contact with the [REDACTED] office and advise SS/OL, as soon as [REDACTED] is available for briefing. At that time, SS/OL will make a physical security inspection of the [REDACTED] office and specify any security requirement that may be needed. [REDACTED] specifically requested that the Security Officer contact him also at the time that [REDACTED] is briefed, since [REDACTED] wants to clarify a point concerning clearances in connection with auditing their company books. He explained that they have a firm of outside auditors and he is sure that it will be necessary for these auditors to have access to our classified contracts, and he wants to make certain that the auditors are cleared in time so that there will be no delay in the company audit.

Attached hereto is a current list of all of the clearances for the various employees of [REDACTED] including [REDACTED]

Preliminary information indicates that the [REDACTED] office will have adequate safekeeping equipment, however, this will be determined during the inspection. Inasmuch, as there are no financial or administrative personnel cleared at [REDACTED] it will be necessary to set up the accounts under some Project designation without making the comptroller vitting at this time. The Security Officer will make arrangements for the unclassified invoices to be turned over either to [REDACTED]

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25X1A the Security Officer or [REDACTED] Secretary to the President, who will then classify the invoices and dispatch them to the Contracting Officer. A secure mail channel will be set up during the inspection and the other routine security matters attended to at that time.

25X1 A [REDACTED] list of clearances was left with [REDACTED] for his information. 25X1A will continue to send in some additional requests for clearances to the Post Office Box of [REDACTED] (pseudo), however, when the contract is eventually negotiated with the [REDACTED] office, all clearances should flow through [REDACTED] to the 25X1A Contracting Officer. Arrangements should be made, however, for her to send sterile notes to both the Washington office of [REDACTED] office of 25X1A [REDACTED] advising them as to new clearances that concern them but without identifying the Contracting Officer or the sponsoring activity. 25X1A

25X1 A formal inspection report covering inspection of the office will be forwarded at the earliest opportunity. [REDACTED]

[REDACTED] 25X1A

Distribution:

Original - Addressee

1 - Chief, Station 954

25X1A ① [REDACTED], III, SO/MPIC

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25X1A SS/OL [REDACTED] (10 October 1961)

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25X1A

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FROM

DATE: 17 Oct 61

FOR YOUR

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DEP/DIR												
EXEC/DIR												
OPS/OFF												
SA												
SA												
CH/AS	①	M	17 Oct		x					x		
CH/SS	②	TK			x							
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CH/TPDS	③	JWC	23 Oct		x	VNC	K	23 Oct				
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SEC/AC												

REMARKS:

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